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Ukraine

Grain and Feed

February Update: Increasing Grain Exports

2002

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Report Highlights:

Ukraine will boost grain exports to record high levels in MY 2001/2002, reflecting the largest grain harvest since 1993. Approximately 4.5 MMT of wheat and 2.5 MMT of barley will be exported this marketing year, mainly through Black Sea ports. Imports of U.S. rice could increase in MY 2001/2002, but will be limited by low consumer purchasing power.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Kiev [UP1], UP

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Executive summary

The State Statistics Committee of Ukraine announced the 2001 crop pre-final production estimate for total grain and pulses (wheat, barley, corn, rye, oats, peas, buckwheat, millet, rice) which totaled 39.7 MMT. This is the largest grain crop harvested in Ukraine since the 45.6 MMT crop in 1993. Ukraine will become a net exporter in MY 2001/2002, following two years as a net importer of milling quality wheat. Overall grain and pulse exports in MY 2001/2002 will likely reach the highest-ever recorded level of 7.6 MMT. This MY to date, Ukraine has already exported feed grains to Spain, Morocco, South Korea, Israel, Belarus, Saudi Arabia and Israel. It is expected that these countries will remain the major buyers. Rice will be the major grain import. However, exports of U.S. rice to Ukraine will be limited by low consumer purchasing power.

Production

The 2001 production and harvested area estimates for all grains have been updated in the PSDs based on the pre-final harvest numbers released in January 2002 by the State Statistics Committee of Ukraine. Final numbers will be announced in April 2002. While some minor adjustments are still possible, the recently released numbers confirm that Ukraine has harvested its best grain crop since 1993. The significant increase in grain production in 2001 is attributed to extremely favorable weather conditions and, to a lesser extent, an increase in harvested grain area. Average 2001 wheat yields rose 55% over the previous year while barley yields increased by 39%. Large farms will continue to be the major grain producers in Ukraine. Nevertheless, individual household producers increased their share of grain output in 2001. Former collective farms harvested 31.7 MMT of grain and pulses in 2001 (20 MMT in 2000) while the remaining 8 MMT was supplied by private household plots (4.5 MMT in 2000).

Post is submitting a PSD table for peas for the first time due to growing demand for feed pea exports from Ukraine. Attractive prices may result in increased feed pea plantings for Ukraine in 2002.

Winter grains

Ukrainian farmers planted nine million hectares of winter grains (chiefly winter wheat, rye and barley) in fall 2001, the same planted area as in 2000. It is expected that farmers will utilize approximately 400,000 hectares of winter grain for green feed in spring 2002. Despite adequate protective snow cover in December and early January, winter kill rates are predicted to be significantly higher as compared to last season's warmer weather. According to the Ministry of Agricultural Policy, farmers will re-sow about 700 thousand hectares of winter grains in spring 2002. This area will most likely be planted to spring barley, corn and peas.

Consumption

There are no official feed use estimates for wheat, barley, corn or other grains. Post supports higher wheat feed consumption for all three consecutive PSD marketing years and higher barley feed usage in MY 2000/2001 and MY 2001/2002, based on the following assumptions.

Ukraine produces mostly grade four (10% protein) feed-quality wheat. Milling-quality grade three wheat (11.5% protein) comprised only 28% of the 1999 crop, 23% in 2000 and 17% in 2001. The majority grade four wheat

(approximately 80%) is utilized for blending in bread production and for animal feed.

The estimate for seed use varies from 1.2 to 1.4 MMT per year. This is because Ukrainian farmers have historically used their own seed for sowing. Storage and marketing losses have been estimated between 0.6 and 0.9 MMT, about 4% of production. This is due to the fact that farmers are hesitant to store grain at local elevators, preferring their own flat storage facilities. There are very few modern grain elevators in Ukraine; nearly all existing elevators were built during Soviet times.

Considering all of the above, overall annual human food consumption of wheat is estimated at approximately 7 MMT.

Ukraine's food processing industry utilizes very little barley for groat and cereal mix production. A limited quantity of malting-quality barley is grown in Ukraine and utilized by domestic breweries. Overall barley demand from domestic breweries and food processors is estimated at 0.3-0.5 MMT per year. The remaining barley is either utilized for animal feed or exported.

Both MY 2000/2001 and MY 2001/2002 rye consumption estimates have been raised based on higher than expected domestic demand and low exports. The most popular bread consumed in Ukrainian is made from a mixture of wheat flour and rye flour. This dark bread costs 12 to 15 percent less than all-wheat bread, thus creating additional demand for rye flour.

Corn and oat feed consumption estimates in MY 2000/2001 and MY 2001/2002 have been lowered, reflecting increased exports.

Exports

Based on available monthly trade data, the MY 2001/2002 wheat export estimate has been increased. MY 1999/2000 and 2000/2001 wheat export and import numbers were adjusted to reflect wheat flour trade as well as the corrected monthly grain trade series for these marketing years. The July-December 2001 wheat export estimate is 2.8 MMT with Spain, South Korea and Morocco leading as the major destinations. The average FOB Black Sea price for grade four Ukrainian wheat in January 2002 was US\$98 per MT.

The MY 2001/2002 barley export estimate remains unchanged. In July-December 2001, Ukraine exported 2.0 MMT of barley. Major destinations were Saudi Arabia, Tunisia and Morocco. The January 2002 FOB Black Sea price for Ukrainian barley varied from US\$95 to US\$100 per MT.

In October/December 2001, Ukraine exported 112,000 MT of corn to Russia, Belarus and other Former Soviet Union (FSU) countries; therefore, we increased the MY 2001/2002 export estimate. For MY 2000/2001, Ukraine shipped corn to Romania, Slovakia, Yugoslavia and other Central European countries, in addition to the traditional buyers from the FSU.

Exports of feed peas in July-December 2001 totaled 87,000 MT. This 6-month volume exceeded total exports for each of the previous two marketing years. Despite this country's feed protein shortage and growing demand from the livestock and poultry industries, Ukraine has continued to export this pulse crop which contains 20-22% protein on average. According to official trade statistics for MY 2001/2002, Ukraine has exported feed peas primarily to Spain

and Italy. The average FOB price for feed peas sold in December 2001 was \$110 per MT.

Post lowered rye export estimates for both MY 2000/2001 and 2001/2002. July-November 2001 rye exports were 10,000 MT. Rye exports were only 800 MT in MY 2000/2001, based on available trade statistics. The major reason for lower rye exports is believed to be the strong domestic demand.

Oat exports for MY 2001/2002 are estimated at 50,000 MT. The largest recorded sale of oats to date during the current marketing year was 17,000 MT in September 2001. A local exporter identified Canada as the final destination of this shipment. Belarus, Turkey, Hungary and other neighboring countries were the major buyers of Ukrainian oats in MY 2000/2001. It is not yet clear if Ukraine will export oats to the United States in MY 2001/2002. Shippers note that it would be difficult to aggregate an economically viable shipment of oats within Ukraine right now because production is widely dispersed throughout Ukraine's 25 oblasts. Only in Chernhiv Oblast did 2001 oat output exceed 100,000 MT.

In addition, the quality standard for Ukraine's oats may be problematic for a U.S.-destined shipment. The existing Ukrainian quality standard (FSU Standard GOST 28673-90 Oats - Requirements for Purchases and Deliveries) allows for a 0.2-0.5% weed admixture and 5-7% other grains admixture for domestic sales. Consequently, exporters would likely accrue additional costs in order to meet the stricter U.S. import requirements. According to Ukragroconsult Ltd., the average FOB price for oats was \$65 per MT in December 2001.

Imports

Rice imports are anticipated to increase in 2002 as compared with 2001. Domestic rice production is insignificant and decreasing. Ukraine mainly imports lower-quality rice from Vietnam, China, India and Thailand. In 2001, U.S. rice import share was only 0.5%, reflecting an average CIF price 54% higher than the average price of rice from other suppliers to Ukraine.

We could see some imports of hard wheat, barley for malting, and/or corn for further processing; however, these imports would be limited by high import duties.

Stocks

The GOU does not publish information on MY ending stocks nor for government-held stocks. It is assumed that carry-over stocks are dispersed amongst millers, the State Strategic Reserve, compound feed producers and farmers. There are two major reasons for lowering ending stocks estimates for wheat, barley, corn and rye: firstly, limited availability of these commodities in the market at the end of each marketing year; and secondly, high grain prices. Logically, this would confirm post's conclusion that carry-over stocks have been low, as reflected in high end-of-season prices. In addition, because of high interest rates and a general lack of available credit within the agricultural sector in Ukraine, it is unlikely that millers and grain processors have made significant investments to maintain grain stocks.

Statistical Tables-

PSD Table						
Country	Ukraine					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	5931	5931	5161	5162	6900	6881
Beginning Stocks	1500	570	1000	856	450	461
Production	13585	13585	10197	10197	21300	21318
TOTAL Mkt. Yr. Imports	414	453	600	686	100	100
Jul-Jun Imports	414	453	600	686	100	100
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	15499	14608	11797	11739	21850	21879
TOTAL Mkt. Yr. Exports	1945	1952	78	78	4000	4500
Jul-Jun Exports	1945	1952	78	78	4000	4500
Feed Dom. Consumption	2200	3000	1000	3000	3000	5500
TOTAL Dom. Consumption	12554	11800	11269	11200	13850	14800
Ending Stocks	1000	856	450	461	4000	2579
TOTAL DISTRIBUTION	15499	14608	11797	11739	21850	21879

PSD Table						
Country	Ukraine					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	3475	3475	3690	3689	3900	3914
Beginning Stocks	750	375	750	386	847	471
Production	6425	6425	6872	6872	10200	10150
TOTAL Mkt. Yr. Imports	25	12	25	29	10	20
Oct-Sep Imports	25	12	25	29	10	20
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	7200	6812	7647	7287	11057	10641
TOTAL Mkt. Yr. Exports	550	776	926	1016	2500	2500
Oct-Sep Exports	550	787	1386	1479	2000	2000
Feed Dom. Consumption	4225	4200	4074	4200	4800	5500
TOTAL Dom. Consumption	5900	5650	5874	5800	6800	7300
Ending Stocks	750	386	847	471	1757	841
TOTAL DISTRIBUTION	7200	6812	7647	7287	11057	10641

PSD Table						
Country	Ukraine					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	689	689	1279	1279	1150	1125
Beginning Stocks	500	482	343	250	1653	706
Production	1737	1737	3848	3848	3400	3635
TOTAL Mkt. Yr. Imports	82	87	30	3	30	10
Oct-Sep Imports	85	92	30	26	30	10
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	2319	2306	4221	4101	5083	4351
TOTAL Mkt. Yr. Exports	57	56	100	395	100	300
Oct-Sep Exports	55	52	100	397	100	300
Feed Dom. Consumption	1400	1400	1950	2100	2700	2400
TOTAL Dom. Consumption	1919	2000	2468	3000	3220	3300
Ending Stocks	343	250	1653	706	1763	751
TOTAL DISTRIBUTION	2319	2306	4221	4101	5083	4351

PSD Table						
Country	Ukraine					
Commodity	Rye				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	623	623	637	638	900	880
Beginning Stocks	200	101	100	51	116	75
Production	919	919	966	968	1800	1820
TOTAL Mkt. Yr. Imports	4	4	0	17	0	5
Oct-Sep Imports	15	15	0	7	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1123	1024	1066	1036	1916	1900
TOTAL Mkt. Yr. Exports	171	173	100	1	350	50
Oct-Sep Exports	73	75	100	1	350	50
Feed Dom. Consumption	50	50	50	50	50	50
TOTAL Dom. Consumption	852	800	850	960	1100	1600
Ending Stocks	100	51	116	75	466	250
TOTAL DISTRIBUTION	1123	1024	1066	1036	1916	1900

PSD Table						
Country	Ukraine					
Commodity	Oats				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	530	529	481	481	600	500
Beginning Stocks	45	47	77	60	77	66
Production	760	759	881	880	1100	1115
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	805	806	958	940	1177	1181
TOTAL Mkt. Yr. Exports	0	26	0	34	0	50
Oct-Sep Exports	0	18	0	50	0	60
Feed Dom. Consumption	630	600	811	700	1030	900
TOTAL Dom. Consumption	728	720	881	840	1100	1040
Ending Stocks	77	60	77	66	77	91
TOTAL DISTRIBUTION	805	806	958	940	1177	1181

PSD Table						
Country	Ukraine					
Commodity	Peas				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	0	389	0	285	0	300
Beginning Stocks	0	10	0	11	0	10
Production	0	498	0	499	0	619
TOTAL Mkt. Yr. Imports	0	1	0	1	0	1
Jul-Jun Imports	0	1	0	1	0	1
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	0	509	0	511	0	630
TOTAL Mkt. Yr. Exports	0	53	0	51	0	90
Jul-Jun Exports	0	53	0	51	0	90
Feed Dom. Consumption	0	440	0	445	0	510
TOTAL Dom. Consumption	0	445	0	450	0	520
Ending Stocks	0	11	0	10	0	20
TOTAL DISTRIBUTION	0	509	0	511	0	630

PSD Table						
Country	Ukraine					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Harvested	20	22	25	25	19	25
Beginning Stocks	0	1	0	5	0	9
Milled Production	43	64	59	90	50	69
Rough Production	66	98	91	138	77	106
MILLING RATE (.9999)	6500	6500	6500	6500	6500	6500
TOTAL Imports	50	40	50	64	65	75
Jan-Dec Imports	50	40	50	64	65	75
Jan-Dec Import U.S.	0	0	0	0	0	10
TOTAL SUPPLY	93	105	109	159	115	153
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	93	100	109	150	115	144
Ending Stocks	0	5	0	9	0	9
TOTAL DISTRIBUTION	93	105	109	159	115	153